



Federal Dependent Care Reimbursement Worksheet

EXHIBIT 3DATE 3-13-07HB 719

Instructions: Complete this worksheet to compare your estimated savings with the Dependent Care Tax Credit versus a Dependent Care Flexible Spending Account (FSA). Dependent care expenses cannot be covered both ways. Amounts reimbursed through the Dependent Care FSA will reduce the amount of eligible expenses you can use to figure the tax credit on a dollar-for-dollar basis.

Step 1 – Estimate Your Dependent Care Tax Credit

You may take a federal tax credit for eligible dependent care expenses up to \$3,000 for one dependent, or \$6,000 for two or more dependents. The amount of the credit depends on your income level.

Use the following table to estimate the MAXIMUM combined tax credits you may be entitled to take on your federal tax return. For a more accurate estimate, you should complete Form 2441, available online at www.acclaimbenefits.com, or contact your tax advisor.

PLEASE NOTE: The table below reflects 2005 tax credits.

If Your Federal Adjusted Gross Income Is:			Your Maximum Combined Federal Tax Credits are Estimated To Be:	
Over	But Not Over	Credit Percentage	One Dependent	Two or More Dependents
\$0	\$15,000	35	\$1,050	\$2,100
15,000	17,000	34	1,020	2,040 ←
17,000	19,000	33	990	1,980
19,000	21,000	32	960	1,920
21,000	23,000	31	930	1,860
23,000	25,000	30	900	1,800
25,000	27,000	29	870	1,740
27,000	29,000	28	840	1,680
29,000	31,000	27	810	1,620
31,000	33,000	26	780	1,560
33,000	35,000	25	750	1,500
35,000	37,000	24	720	1,440
37,000	39,000	23	690	1,380
39,000	41,000	22	660	1,320
41,000	43,000	21	630	1,260
43,000	no limit	20	600	1,200

Your Estimated Tax Credit (from the table) = _____

Step 2 – Estimate Your Tax Savings with a Dependent Care FSA

		Example
A. Enter your annual adjusted gross family income	\$ _____	\$ 38,000
B. Enter your deductions (either total itemized deductions or standard deduction)*	\$ _____	\$ -9,700
C. Enter your personal exemptions (multiply the # of exemptions claimed x \$3,200)	\$ _____	\$ -6,400
D. Subtract line B and line C from line A to calculate your total taxable income	\$ _____	\$ 21,900
E. Enter your marginal federal income tax rate from Table A on back side of this form**	_____	.15
F. Enter your dependent care expenses [cannot exceed the lesser of \$5,000 (\$2,500 if married filing separately) or the earned income of the lower earning spouse]	\$ _____	\$ 5,000
G. Multiply line E times line F to determine your estimated income tax savings	\$ _____	\$ 750
H. Multiply line F times .0765 to determine your estimated social security/Medicare tax savings***	\$ _____	\$ 383
I. TOTAL ESTIMATED SAVINGS WITH A DEPENDENT CARE FSA (Add line G and line H)	\$ _____	\$ 1133

* Current standard deductions are: Married filing jointly and surviving spouses = \$10,000; head of household = \$7,300; married filing separately = \$5,000; Single = \$5,000.

** Use the next lower marginal rate if your taxable income is close to the low end of an income range.

*** Social Security savings are on the first \$94,200 of income. Medicare savings = 1.45% on amounts over \$94,200.

71,100
25,000

1133 x .25 = 283

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TABLE A: Federal Taxes - Filing Status and Taxable Income				
Married – Joint	Head of Household	Married – Separate	Single	Marginal Tax Rate
\$0 - \$15,100	\$0 - \$10,750	\$0 - 7,550	\$0 - \$7,550	.10
\$15,101 – \$61,300	\$10,751 – \$41,050	\$7,551 – \$30,650	\$7,551 – \$30,650	.15
\$61,301 – \$123,700	\$41,051 – \$106,000	\$30,651 – \$61,850	\$30,651 – \$74,200	.25
\$123,701 – \$188,450	\$106,001 – \$171,650	\$61,851 – \$94,225	\$74,201 – \$154,800	.28
\$188,451 – \$336,550	\$171,651 – \$336,550	\$94,226 – \$168,275	\$154,801 – \$336,550	.33
\$336,551 and over	\$336,551 and over	\$168,276 and over	\$336,551 and over	.35

Step 3 – Compare the Tax Credit Estimated in Step 1 with the Tax Savings Estimated in Step 2

Compare the estimated tax credit with the estimated tax savings using the Dependent Care Flexible Spending Account. The tax credits are designed to become less valuable as your income increases. Tax savings with a Dependent Day Care FSA become more valuable as your income increases. Generally, if your income tax bracket is 15% or less it would be more advantageous for you to take the tax credit rather than participating in the Dependent Care Account. However, since each person's tax situation is unique, you should talk with a tax advisor before making your final decision.

Some additional points to consider:

- You will save state taxes in addition to federal taxes when you participate in a Dependent Care FSA.
- To the extent you reduce your Social Security taxes you may also reduce your Social Security benefits.
- In general, families with adjusted gross income under \$37,263 are eligible for the Earned Income Credit. Participating in a Dependent Care FSA will decrease your gross income and increase your credit.

Examples of Reimbursable Dependent Care Expenses

Eligible dependent care expenses must be for the care of your child under the age of 13, or your spouse or other dependent(s) who are physically and/or mentally incapable of self-care.

Eligible reimbursable expenses are those dependent care expenses incurred while you (and your spouse, if applicable) are working, looking for employment, or attending school full-time.

IRS regulations govern the eligibility of expenses. For additional information on eligible expenses, see IRS Publication 503, available from your local IRS office.

Examples of Non-Reimbursable Dependent Care Expenses

- Meals
- Activity fees
- Late charges
- Activity supplies
- Beepers/pagers
- Transportation
- Field trips
- Fees paid to a dependent care provider who is not reporting this income to the IRS